

Research Update:

Sodexo S.A. Outlook Revised To Negative On Expected Weaker Earnings And Increased Leverage; 'BBB+' Rating Affirmed

May 4, 2026

Rating Action Overview

- France-based Sodexo S.A.'s earnings guidance for the fiscal year ending Aug. 31, 2026, was revised downward due to operational challenges that slowed revenue growth and caused a sharp reduction in operating margins in the first half of the year, especially in North America.
- We forecast that revenue will decline by 1.5%-2.0% in fiscal 2026 and that the S&P Global Ratings-adjusted EBITDA margin will contract sharply to about 4.3% from 6.3% in fiscal 2025, so that credit metrics deteriorate beyond our downside triggers during fiscal 2026.
- Although we expect a gradual recovery thereafter, the pace will depend on the group executing its plan to restore profitable growth and so reduce its net debt to EBITDA to below 2.0x (in line with its publicly stated financial policy commitment) within the next 18-24 months.
- As yet, we cannot judge how successful management's remedies will be. Therefore, we revised our outlook on Sodexo to negative from stable and affirmed our 'BBB+/A-2' long- and short-term issuer credit ratings on the company and our 'BBB+' issue rating on its senior unsecured debt.
- The negative outlook indicates that financial measures are relatively weak for a 'BBB+' rating and our expectation that funds from operations (FFO) to debt will remain below our downgrade threshold of 30% for the next 12-24 months.

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Rating Action Rationale

S&P Global Ratings expects service provider Sodexo's revenue growth and EBITDA margins to remain depressed through 2026. The group's revised earnings guidance for the current fiscal year indicates that organic revenue growth will be 0.5%-1.0%. Its commercial challenges include the loss of contracts in its education and business and administration segments; and lower volumes due to the uncertain global macroeconomic environment. In addition, the Sodexo Live! segment's strong performance in 2025 creates a high bar for comparison. We forecast revenue will decline by 1.5%-2.0% in fiscal 2026, incorporating unfavorable foreign exchange effects and the half-year contribution of Grupo Mediterranea. This acquisition was completed at the end of

the first half of 2026. We forecast that our adjusted EBITDA margins will decline to 4.3% in fiscal 2026, from 6.3% in fiscal 2025, due to lower operating leverage, accelerated investments, and increased provisions following a comprehensive contract and asset review. An additional €300 million of one-off costs also weighs on projected EBITDA margins.

Leverage, measured as S&P Global Ratings-adjusted debt to EBITDA, is expected to increase temporarily to 4.0x in fiscal 2026, due to lower EBITDA and a reduced cash balance. We project that adjusted EBITDA will drop by about a third to about €1 billion in fiscal 2026. This will trigger a fall in funds from operations (FFO), and thus a decrease in FFO to debt to about 18%, well below our downside threshold of 30%. Various management actions implemented in 2026 are expected to support revenue growth through new business development and improved client retention. This, combined with a gradual margin recovery should enable Sodexo to significantly improve its credit metrics from fiscal 2027 on.

New CEO Thierry Delaporte has been addressing the group's operating underperformance since he took over in November 2025. Mr. Delaporte has initiated a thorough review of contracts and assets and taken direct responsibility for the North American region. In addition, he realigned incentives to bolster growth performance and announced a new global leadership team. His ambition is to strengthen the group's execution discipline; bring the leadership team closer to operations; and accelerate decision-making. All are key to long-term growth. We consider that the speed at which Sodexo's credit metrics recover will depend on the successful execution of the group's remediation plan, combined with the implementation of measures to maintain adherence to the group's stated financial policy, and the macroeconomic outlook.

In recent years, Sodexo's profitability has been weaker and more volatile than that of its peers. Adjusted EBITDA margins lagged most catering specialists we rate at 6.3% in fiscals 2024 and 2025. Its closest peer, Compass PLC, delivered industry-leading adjusted EBITDA margins of 9%-10%, which benefited from a favorable contract mix and optimized procurement supported by significant in-country scale. Our view of Sodexo's business risk profile already incorporates this gap, but we could revise down our assessment if Sodexo proves unable to restore profitability to historical levels of 6%-7%.

Although Sodexo is forecast to temporarily exceed its net leverage target, the group has historically adhered to its financial policy. At present, we lack clarity on the measures that management intends to take to reduce leverage to its target range of 1.0x- 2.0x (corresponding to our adjusted debt-to-EBITDA ratio of 1.5x-2.5x). However, they could include temporary dividend cuts and other changes to financial policy. The company's dividend policy is to distribute 50%-55% of the prior year's net income. Given that we forecast that financial performance will weaken in fiscal 2026, we expect distributions to shareholders in fiscal 2027 to be lower, in absolute cash terms. In addition, we consider that Sodexo has some flexibility and could temporarily reduce spending on mergers and acquisitions to restore its credit metrics above the downside threshold for a 'BBB+' rating. Nevertheless, we think there is a heightened risk that credit metrics may remain below our minimum expectations for the rating beyond fiscal 2027, should management's actions to improve EBITDA and cash flow generation prove to be insufficient to reduce leverage.

Outlook

The negative outlook indicates that financial measures are relatively weak for a 'BBB+' rating. We see a possibility that FFO to debt could remain below our downgrade threshold of 30% for the next 12-24 months, unless Sodexo achieves a sufficient improvement in operating performance.

Downside scenario

We could lower our rating if Sodexo is unable to restore operating performance, so that FFO to debt remains below 30% for a prolonged period, or if leverage stays above 3x for the next 12-24 months. A downgrade could also occur if we revise down our assessment of the group's business risk profile because the group has been unable to show tangible improvements in its EBITDA margins toward the historical levels of 6%-7%. In addition, we could lower the rating if:

- The group's financial policy decisions no longer support the current rating, for example, if management does not take strong enough measures to reduce adjusted leverage below 3x without EBITDA making a stronger than expected recovery; or
- Parent company Bellon S.A.'s debt materially increases, since Bellon relies on dividends from Sodexo and Pluxee to service its debt.

Upside scenario

We could revise the outlook to stable if Sodexo's operating performance materially improves, enabling it to restore FFO to debt to at least 30% and reduce leverage to below 3.0x on a sustainable basis.

Company Description

Sodexo is one of the world's largest service providers. It offers more than 100 services, including those related to catering, reception, maintenance, cleaning, and facilities and equipment management.

Sodexo operates in 43 countries, with more than 426,000 employees, making it one of the largest private employers worldwide. The company reported revenue of €24.1 billion in fiscal 2025.

Sodexo is listed on the CAC Next 20, CAC SBT 1.5, FTSE4Good, and Dow Jones Sustainability Indices. Its largest shareholder, the Bellon family, held 43.8% of equity and 58.8% of voting rights as of Aug. 31, 2025.

Our Base-Case Scenario

Assumptions

- GDP growth of 1.7% in 2026 and 1.8% in 2027 in Europe, and about 2.2% in 2026 and 2.0% in 2027 in the U.S.
- Consumer price index inflation slowing to 4.1% in 2026 and 3.2% in 2027 in Europe, and increasing to about 3.2% in 2026 before slowing to 2.4% in 2027 the U.S.
- Revenue to decline by 1.5%-2.0% in 2026, mainly driven by shrinking revenue in North America following contract losses in the education and business and administration segments, combined with adverse foreign exchange movements. In fiscal 2027, we project revenue growth of 5.0%-5.5%, supported by organic growth of about 2%; a recovery in the North America business segments; and contributions from acquisitions, including a full-year contribution of €350 million from Grupo Mediterránea (the acquisition of this entity closed in February 2026).
- Adjusted EBITDA margin to decline to 4.3% in fiscal 2026 from 6.3% in 2025, due to operational challenges and accelerated investments that were concentrated in North America. The

decline also reflects the impact of the global contracts and assets review conducted by Mr. Delaporte, which included specific contract-related provisions; and €300 million in nonrecurring costs.

- EBITDA margins to recover to 5.8%-6.0% in fiscal 2027, supported by operating leverage, price increases, and operating efficiencies, as well as a significant drop in restructuring costs compared with fiscal 2026.
- Gross capital expenditure (capex) to sales increasing to 1.8% of revenue from 1.4% in 2025, to support client retention and new contracts (our definition of capex excludes new client investments).
- Modest working capital outflow of about €30 million per year.
- A lower dividend distribution of €250 million-€300 million for next year, but no change to the group's long-term dividend policy, under which it distributes 50% of the prior year's net income, beyond 2027.
- Bolt-on acquisition spending of about €230 million in fiscal 2026, including Grupo Mediterraneo, and €200 million per year thereafter.

Key metrics

Sodexo S.A.--Forecast summary

Period ending	Aug-31-2022	Aug-31-2023	Aug-31-2024	Aug-31-2025	Aug-31-2026	Aug-31-2027	Aug-31-2028
(Mil. EUR)	2022a	2023a	2024a	2025a	2026e	2027f	2028f
Revenue	21,125	23,736	23,798	24,074	23,635	24,896	26,200-26,500
EBITDA (reported)	1,578	1,305	1,518	1,474	978	1,429	1,600-1,700
Plus/(less): Other	(11)	495	(18)	46	38	48	48
EBITDA	1,567	1,800	1,500	1,520	1,016	1,477	1,650-1,750
Less: Cash interest paid	(71)	(97)	(60)	(142)	(177)	(178)	(175)
Less: Cash taxes paid	(200)	(219)	(179)	(348)	(109)	(193)	(229)-(250)
Funds from operations (FFO)	1,296	1,484	1,261	1,030	729	1,106	1,250-1,320
EBIT	1,041	1,313	1,122	1,090	518	960	1,100-1,190
Interest expense	110	179	162	155	181	182	179
Cash flow from operations (CFO)	1,035	1,476	1,148	964	791	990	1,125-1,200
Capital expenditure (capex)	345	453	358	333	425	448	525-530
Free operating cash flow (FOCF)	690	1,023	790	631	365	542	600-670
Dividends	299	358	1,377	402	398	279	398
Share repurchases (reported)	13	57	51	83	33	50	50
Discretionary cash flow (DCF)	378	608	(638)	146	(66)	213	150-220
Debt (reported)	5,717	5,557	4,710	4,782	4,001	4,001	4,001

Sodexo S.A.--Forecast summary

Plus: Lease liabilities debt	943	831	728	664	652	652	652
Plus: Pension and other postretirement debt	(14)	71	115	106	106	106	106
Less: Accessible cash and liquid Investments	(3,522)	(3,489)	(2,062)	(1,991)	(739)	(576)	(350)-(420)
Plus/(less): Other	137	100	--	40	40	40	40
Debt	3,261	3,070	3,491	3,601	4,060	4,223	4,445-4,385
Equity	4,425	4,749	3,798	3,799	3,632	3,916	4,190-4,250
Cash and short-term investments (reported)	4,482	2,025	2,137	2,091	839	676	450 -515
Adjusted ratios							
Debt/EBITDA (x)	2.1	1.7	2.3	2.4	4.0	2.9	2.5-2.7
FFO/debt (%)	39.7	48.3	36.1	28.6	18.0	26.2	28.0-30.0
FFO cash interest coverage (x)	19.3	16.3	22.0	8.3	5.1	7.2	8.0-8.5
EBITDA interest coverage (x)	14.2	10.1	9.3	9.8	5.6	8.1	9.2-9.7
CFO/debt (%)	31.7	48.1	32.9	26.8	19.5	23.4	25.3-27.2
FOCF/debt (%)	21.2	33.3	22.6	17.5	9.0	12.8	13.5-15.1
DCF/debt (%)	11.6	19.8	(18.3)	4.1	(1.6)	5.1	3.4-4.9
Annual revenue growth (%)	21.2	12.4	0.3	1.2	(1.8)	5.3	5.5-6.5
EBITDA margin (%)	7.4	7.6	6.3	6.3	4.3	5.9	6.3-6.6
Debt/debt and equity (%)	42.4	39.3	47.9	48.7	52.8	51.9	50.8-51.5

All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast. EUR--euro.

Liquidity

We assess Sodexo's liquidity as strong. We forecast that liquidity sources will cover uses by comfortably more than 1.5x over the next 12 months, supported by the group's significant cash balances and availability under its RCF. Our liquidity assessment is also supported by the company's strong standing in both domestic and overseas financial markets, solid banking relationships, and track record of maintaining significant liquidity cushions.

Principal liquidity sources	Principal liquidity uses
<p>We expect principal liquidity sources over the 12 months from March 1, 2026, to include:</p> <ul style="list-style-type: none"> Cash, cash equivalents, and short-term investments of about €1.2 billion; 	<p>We expect principal liquidity uses over the same period to include:</p> <ul style="list-style-type: none"> Seasonal working capital requirements of about €500 million;

- Unused RCF of about €1.75 billion; and
- Cash FFO of about €750 million.
- Minimal additional net investment in working capital of about €30 million;
- Capex of €450 million-€500 million;
- Dividends of €250 million-€300 million; and
- Repayment of maturing debt of about €800 million.

Environmental, Social, And Governance

Revenue and cash flow have recovered strongly as the effects of pandemic-related restrictions have subsided and the demand for catering services in sporting and other venues has resumed. Nevertheless, we believe the sector will remain moderately sensitive to health and safety issues. Therefore, we consider social factors to be negative in our credit rating analysis.

Governance factors are a positive consideration. This is underpinned by our view of senior management's deep expertise in managing global operations, a strong record of strategic execution, and adherence to a consistent financial policy.

Issue Ratings--Subordination Risk Analysis

Capital structure

Sodexo's capital structure consists of €4.8 billion of senior unsecured debt issued at the parent level and about €1.9 billion of senior unsecured debt issued by its U.S. subsidiary Sodexo Inc.

Analytical conclusions

We rate Sodexo's debt in line with the 'BBB+' issuer credit rating, given that all of its debt is unsecured and there are no elements of significant subordination risk in its capital structure.

Rating Component Scores

Component	
Foreign currency issuer credit rating	BBB+/Negative/A-2
Local currency issuer credit rating	BBB+/Negative/A-2
Business risk	
Country risk	Low risk
Industry risk	Intermediate risk
Competitive position	Strong
Financial risk	
Cash flow/leverage	Intermediate
Anchor	bbb+

Modifiers

Diversification/portfolio effect	Neutral/Undiversified
Capital structure	Neutral
Financial policy	Neutral
Liquidity	Strong
Management and governance	Positive
Comparable rating analysis	Neutral
Stand-alone credit profile	bbb+

Related Criteria

- [Criteria | Corporates | General: Sector-Specific Corporate Methodology](#), July 7, 2025
- [Criteria | Corporates | General: Corporate Methodology](#), Jan. 7, 2024
- [Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities](#), Jan. 7, 2024
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [General Criteria: Group Rating Methodology](#), July 1, 2019
- [Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments](#), April 1, 2019
- [Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings](#), March 28, 2018
- [General Criteria: Methodology For Linking Long-Term And Short-Term Ratings](#), April 7, 2017
- [Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers](#), Dec. 16, 2014
- [General Criteria: Methodology: Industry Risk](#), Nov. 19, 2013
- [General Criteria: Country Risk Assessment Methodology And Assumptions](#), Nov. 19, 2013
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

Related Research

- [Tear Sheet: Sodexo S.A.](#), Nov. 3, 2025

- [Sodexo S.A.](#), March 24, 2025

Ratings List

Ratings List

Outlook Action ; Ratings Affirmed

	To	From
Sodexo S.A.		
Sodexo Finance DAC		
Sodexo Inc.		
Issuer Credit Rating	BBB+/Negative/A-2	BBB+/Stable/A-2

Ratings Affirmed

Sodexo S.A.		
Sodexo Finance DAC		
Commercial Paper	A-2	
Sodexo S.A.		
Sodexo Inc.		
Senior Unsecured	BBB+	

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